



August 15, 2005

Sam W. Swofford, Ph.D., Director  
California Commission on Teacher Credentialing  
1900 Capitol Avenue  
Sacramento, CA 95814

Dear Dr. Swofford:

**Final Report: California Commission on Teacher Credentialing—Internal Control Review**

Enclosed is our final report on the California Commission on Teacher Credentialing's (Commission) internal control as of April 7, 2005. The Department of Finance (Finance), Office of State Audits and Evaluations, performed this review in accordance with the Financial Integrity and State Manager's Accountability Act of 1983, Government Code Section 13400 et seq.

The Commission's written response is included herein. Implementation of the proposed corrective actions will help strengthen the Commission's internal control and reduce the risk of errors or irregularities.

In accordance with Finance's policy of increased transparency, this report will be placed on the Finance website. We appreciate the assistance and cooperation of staff and management during our review. If you have any questions, please contact Susan M. Botkin, Manager, or Dennis Mehl, Supervisor, at (916) 322-2985.

Sincerely,

Original signed by Samuel E. Hull

Samuel E. Hull, Chief  
Office of State Audits and Evaluations

Enclosure

cc: Ms. Crista Hill, Staff Services Manager, California Commission on Teacher Credentialing

# AN INTERNAL CONTROL REVIEW

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## California Commission on Teacher Credentialing

Prepared By:  
Office of State Audits and Evaluations  
Department of Finance

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The California Commission on Teacher Credentialing (Commission) was established in 1970, with the specific charge of ensuring excellence in education by establishing high standards for the preparation and licensing of public school educators. The Commission carries out its program of standards for the preparation and licensing of teachers through five program elements: Certification, Assignment and Waivers; Professional Services; Professional Practices; Agency Administration; and Policy and Program. The Commission serves as the licensing body for public school educators in California. In order to serve in a California public school, educators must be licensed by the Commission.

State managers are required to maintain internal control in the programs they administer. Internal control is defined as a process designed to provide reasonable assurance regarding the achievement of objectives in the following categories: (a) reliability of financial reporting, (b) effectiveness and efficiency of operations, and (c) compliance with applicable laws and regulations. This definition of internal control includes five interrelated components:

- *Control environment* sets the tone of an organization, influencing the control consciousness of its staff. It is the foundation for all other components of internal control, providing discipline and structure.
- *Risk Assessment* is the entity's identification and analysis of relevant risks to the achievement of its objectives, forming a basis for determining how the risks should be managed.
- *Control Activities* are the policies and procedures that help ensure management directives are carried out.
- *Information and communication* are the identification, capture, and exchange of information in a form and time frame that enable people to carry out their responsibilities.
- *Monitoring* is the process that assesses the quality of internal control performance over time.

The objective of our internal control review was to assist the Commission in complying with the Financial Integrity and State Manager's Accountability Act of 1983. Specifically, we assisted the Commission in determining whether: (1) assets are safeguarded from unauthorized use or disposition, (2) financial transactions are executed in accordance with management's authorizations and recorded properly to permit the preparation of reliable financial statements, and (3) financial operations are conducted in accordance with State Administrative Manual guidelines, and certain other state laws and regulations, as well as the Commission's policies and procedures.

This report is intended for the information and use of the Commission and is not intended to be and should not be used by anyone other than the specified parties. However, this report is a matter of public record and its distribution is not limited.

**STAFF:**

Susan M. Botkin, CGFM  
Manager

Dennis Mehl  
Supervisor

Mai Xiong  
Alice Yip  
Mark Zetterbaum

## EXECUTIVE SUMMARY

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During our review of the California Commission on Teacher Credentialing's (Commission) internal control, we identified several areas where controls were in place and working as intended. We also identified areas where controls could be improved to reduce the risk of errors, irregularities, and material misstatements. We met with management and staff to discuss the following weaknesses, as well as other non-reportable findings and observations.

*Cash Receipts:* Controls over cash receipts are inadequate to ensure the proper safeguarding of state assets. The auditors identified significant weaknesses in procedures, policies, and assigned duties. These weaknesses could result in the misappropriation of state assets. Specifically, we found that: fee overpayments are not refunded, cash receipts are left unattended and unendorsed in an unsecured area, collections are not deposited within prescribed time limits, large deposits are not reported to the State Treasurer's Office as required, safe access is not sufficiently restricted, there are inadequate controls over deposits of cash receipts, and improper procedures for the collection and deposit of currency. *For further analysis, see the Findings and Recommendations section of this report.*

*Fixed Assets:* We determined that the overall internal controls over property are insufficient to ensure proper safeguarding and reporting of the Commission's fixed assets. We found that the physical inventory count has not been conducted in five years, there was inadequate tagging of property, lack of a complete equipment listing of state property, and a lack of property survey reports and proper authorizations. *For further analysis, see the Findings and Recommendations section of this report.*

*Information Technology—Fiscal and Accounting:* The Commission's internal controls over information technology, specifically related to fiscal and accounting functions, and the Budget Expenditure System, appear adequate to ensure the reliability and integrity of data.

*Budget:* The Commission's internal controls over its budget functions appear adequate to ensure the reliability and integrity of data. The Budget Office maintains current policies and procedures and records appropriations timely. However, our test of controls indicated one weakness: The Commission does not maintain a list of staff authorized to approve budget documents. *For further analysis, see the Findings and Recommendations section of this report.*

*Receivables:* The Commission does not have accounts receivables other than those discussed in the revolving fund section.

*Purchasing:* The Commission's internal controls over purchasing are sufficient to ensure that purchases of goods and services are properly authorized and made in accordance with state policies and that the Commission's assets are appropriately safeguarded when received.

*Cash Disbursements:* Internal controls over cash disbursements are sufficient to ensure that cash disbursements are properly authorized by the Commission and made only for allowable

purposes. After approval by the Commission, payments are processed by the Department of General Services—Contracted Fiscal Services.

*Revolving Fund:* The Commission's internal controls over its revolving fund are sufficient to appropriately safeguard state assets. We observed that the outstanding are less than three percent of the Commission's appropriations. Additionally, employee advances accounts receivables, salary advances, and travel advances are appropriately controlled.

*Personnel/Payroll:* The Commission's internal controls over the personnel and payroll functions appear adequate to ensure the reliability and integrity of data. The Commission's appointment and separation procedures appear adequate, and separation of duties over personnel and payroll transactions is adequate. However, we observed that the Human Resources unit has a key person dependency issue. There was no back-up for the one staff person who performs most of the essential daily functions in the Human Resources unit. *For further analysis, see the Findings and Recommendations section of this report.*

*Contracts:* The Commission's internal controls for contracts appear adequate. We observed the implementation and maintenance of current policies and procedures, and an adequate separation of duties among staff. We did, however, identify a weakness related to the contracts procedures. The Commission does not always withhold ten percent from progress payments. This limits the Commission's ability to use the withholding as assurance that the contract is completed satisfactorily. *For further analysis, see the Findings and Recommendations section of this report.*

*Financial Reporting:* The Department of General Services—Contracted Fiscal Services prepares the Commission's financial reports. Required financial statements and reports are properly prepared and certified. The Commission maintains valid supporting documentation for financial transactions. In addition, the Commission's federal reports are filed on a timely basis.

*Information Security:* The controls over the information security are inadequate to ensure proper data security. As of the end of fieldwork, we observed the following: The Operational Recovery Plan has not been updated since July 2003; data classifications of confidential and sensitive data was not available in writing; the authorized list for access to the Teacher Credentialing Service Improvement Plan has not been updated since October 26, 2004; and, the Information Security Officer position is not properly structured within the organization.

This report is intended to assist the Commission's management in focusing attention on areas of risk and in strengthening internal control and improving operations.



## AUDITOR'S REPORT

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Sam W. Swofford, Ph.D., Director  
California Commission on Teacher Credentialing  
1900 Capitol Avenue  
Sacramento, CA 95814

We have reviewed the California Commission on Teacher Credentialing's (Commission) internal control as of April 7, 2005, for conformity with Government Code Section 13400 et seq. Our review included obtaining an understanding of internal control through observations and interviews, identifying risks, testing and evaluating the design and operating effectiveness of the internal control, and performing other procedures we deemed necessary under the circumstances.

The Commission's management is responsible for establishing and maintaining adequate internal control. This responsibility, in accordance with Government Code Section 13400 et seq., includes documenting internal control, communicating control requirements to employees, and assuring that the internal control is functioning as prescribed. In fulfilling its responsibility, management is required to assess the expected benefits and costs of its control procedures.

The objectives of internal control are to provide reasonable, but not absolute, assurance that:

- Assets are safeguarded against loss from unauthorized use or disposition.
- Transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of reliable financial statements.
- Financial operations are conducted in accordance with policies and procedures established in the State Administrative Manual, and certain other state laws and regulations, as well as the Commission's policies and procedures.

Because of inherent limitations in any internal control, misstatements due to error or fraud may occur and not be detected. Also, projections of any review of internal control in future periods are subject to the risk that the internal control may become inadequate because of changing conditions, or that compliance with control policies or procedures may decline.

In reviewing the Commission's internal control as of April 7, 2005, we noted certain matters involving the internal control and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the Commission's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

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A material weakness is a condition that precludes the Commission's internal control from providing reasonable assurance that material misstatements in the financial statements will be prevented, or detected on a timely basis. We believe the reportable conditions concerning cash receipts and property accountability are material weaknesses. These weaknesses and other reportable conditions are described in the *Findings and Recommendations* section of this report.

This report is intended for the information and use of the Commission's management, and is not intended to be used by anyone other than the designated parties. However, this report is a matter of public record and its distribution is not limited.

Original signed by Samuel E. Hull

Samuel E. Hull, CPA  
Chief, Office of State Audits and Evaluations  
(916) 322-2985

April 7, 2005

## FINDINGS AND RECOMMENDATIONS

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We reviewed the accounting and administrative controls within the California Commission on Teacher Credentialing (Commission). During our review, we noted that a number of controls were functioning as intended. However, we also identified areas where controls are not in place and where corrective action is necessary, as described below.

### Cash Receipts

Controls over cash receipts are inadequate to ensure the proper safeguarding of state assets. The auditors identified significant weaknesses in procedures, policies, and assigned duties. These weaknesses could result in the misappropriation of state assets.

#### **FINDING 1                      Overpayments of Fees Are Not Refunded**

Condition:                      Refunds are not issued for overpayment of fees. In the Credentialing Automation System Cashier's Monthly Report, overpayments appear in the line item "Miscellaneous Revenue (unclear)." This line item also includes underpayments less than \$2.50 per credential. The amount on this line item for the seven-month period (July 1, 2004 – January 31, 2005) is \$15,055. Additionally, the Commission has discontinued the practice of issuing refunds even if requested.

Accepting and retaining payments in excess of \$55 for credentials constitute a violation of the amount authorized by the Budget Act. Refunds or other undisputed payments are due to individuals within 30 calendar days or the state agency is liable for late payment interest penalties.

Criteria:                      Budget Act 6360-001-0407 Item 3 states, "The Commission on Teacher Credentialing shall charge no more than \$55 for the issuance or renewal of a teaching credential."

SAM Section 8241 requires state agencies to handle overpayments as follows: "In accordance with applicable provisions of law, overpayments may be: (1) applied against other amounts due the state from the payers, (2) refunded automatically, or (3) held pending receipt of refund requests."

Department of Finance—Fiscal Systems and Consulting Unit interpretation of SAM Section 8241 is as follows: "The intent of SAM Section 8241 is that agencies must return excess fees over \$10. An overpayment over \$10 must be refunded as soon as the agency becomes aware of the overpayment."

Government Code (GC) Section 16302.1 permits state agencies to remit overpayments of \$10 or less to the Treasury as miscellaneous revenue or operating revenue, subject to the right of the payer to make a claim for refund if otherwise authorized by law.

SAM Section 8475 states that "refunds or other undisputed payments are due to individuals within 30 calendar days or the state agency is liable for late payment interest penalties."

Recommendation: Automatically refund overpayments in excess of \$10 as soon as the agency becomes aware of the overpayment. Refund overpayments of \$10 or less if requested by the payer. Issue all refunds within 30 days of the date the liability is incurred.

## **FINDING 2                      Inadequate Safeguarding of Cash Receipts**

Condition: Cash receipts are left unattended and unendorsed in an unsecured area overnight before being forwarded to the cashier. This increases the likelihood of misappropriation of state assets.

Criteria: SAM Section 8023 states that all checks, money orders, and warrants received for deposit will be restrictively endorsed for deposit as soon as possible after receipt, but no later than the end of the working day.

Recommendation: Endorse checks on the day they are received. When it is not practical to endorse checks on the date they are received, keep the checks in a secure area, such as a locked cabinet, until they are endorsed.

## **FINDING 3                      Safe Access Is Not Sufficiently Restricted**

Condition: Access to the safe, which contains cash, is not sufficiently restricted to safeguard state assets from misappropriation. We noted the following:

- An excessive number of employees (eleven) have access to the safe.
- No list of employees with access to the safe is kept by the Commission.
- The safe is not kept in a secure area or locked during the day.
- The combination to the safe has never been changed in the six years the Commission has had the safe.

Criteria: SAM Section 8024 states:

1. The combination will be known to as few persons as possible consistent with operating requirements and the value of the cash or documents safeguarded.
2. A record will be kept showing: (a) date the combination was last changed and (b) names of persons knowing the present combination.
3. The combination will be changed when it becomes known to an excessive number of employees, or if any employee having knowledge of the combination leaves the employ of the state

agency, or no longer requires the combination in the performance of his or her duties.

SAM Section 20050 states that a satisfactory system of internal accounting and administrative controls shall include plan that limits access to state assets to authorized personnel who require these assets in the performance of their assigned duties.

Recommendations: Adopt the policies in accordance with SAM Section 8024. In addition, keep the safe locked during the day or keep the safe in a secured locked area that can be accessed only by employees who have the safe combination.

#### **FINDING 4 Collections Are Not Deposited Within Prescribed Time Limits**

Condition: Collections are not always deposited within the prescribed time limits. Additionally, there were two instances in which checks issued to the Commission by a national testing company were held by the Commission at the request of the payer.

- The Commission received two checks totaling \$1,474,088 on May 26, 2004. These checks were deposited on September 17, 2004.
- The Commission received two checks totaling \$1,453,204 on September 23, 2004. These checks were deposited on October 7, 2004.

This results in the loss of potential interest earnings and an increased risk of misappropriation of state assets. On March 20, 2005, the Commission issued a memorandum to revise check depositing procedures. These procedures are expected to correct this finding.

Criteria: SAM Section 8032.1 states that agencies that have safes, vaults, money chests, or other comparable storage that is adequate to safeguard cash will accumulate collections until they amount to \$1,000 in cash or \$10,000 in cash, checks, money orders, and warrants (excluding state warrants and state checks), whichever occurs first. Agencies will consider any procedure that expedites depositing to be practical if the additional interest earnable exceeds the additional costs of the procedure. Agencies will use the following formula for determining additional interest earnable: additional interest earnable will be estimated at \$27 per million dollars per calendar day for each one percent of current rate of interest earned.

Recommendations: Deposit receipts when accumulated collections exceed \$1,000 in cash or \$10,000 in cash, checks, money orders, and warrant (excluding state warrants and state checks), whichever occurs first.

Deposit checks immediately and route a copy of the check to the appropriate division along with any accompanying documentation.

Do not hold checks at the request of the payer. The payer should be instructed not to issue checks until they have sufficient funds to cover payment. The payer should be responsible for interest revenue lost during any delay in payment.

#### **FINDING 5**

#### **Lack of Supervision and Separation of Duties Over the Depositing of Cash Receipts and Lack of Retention of Reports of Deposit (ROD)**

**Condition:**

Deposits are verified by the employee preparing the deposit and not by that employee's supervisor. Having the same employee prepare and verify a deposit increases the likelihood that cash collections will be misappropriated.

All copies of the Report of Deposit (ROD) are given to the bank courier. The courier returns the copies during the next pickup, which is daily or as needed. This leaves the Commission with no official documentation of the deposit in the event of a lost ROD form. Also, if the ROD is lost, the copy which should be sent to the State Treasurer's Office (STO) would not be available.

**Criteria:**

SAM Section 20050 states that a satisfactory system of internal accounting and administrative controls shall include a plan of organization that provides segregation of duties appropriate for proper safeguarding of state assets.

SAM Section 8032.3 states that the person supervising the person depositing cash will verify that receipts have been deposited intact and in accordance with SAM Section 8032.1.

When deposits are delivered by courier, SAM Section 8033.2 Item 11 requires state agencies to remove the STO copy and forward it to the STO. Remove and retain agency copies.

**Recommendations:**

The supervisor of the employee preparing the ROD should verify and approve the deposits. Copies of the ROD should be maintained with a copy distributed to the STO.

#### **FINDING 6**

#### **Large Deposits Not Reported to the State Treasurer's Office**

**Condition:**

The Commission is not notifying the STO when deposits in excess of \$100,000 are being made into their State Treasury System (CTS) account. If STO is not informed of these large deposits, it will be unable to sufficiently collateralize the deposit to prevent susceptibility to the loss of state funds. On February 28, 2005, the Commission instructed their employees to comply with the State Treasurer's Office reporting requirement.

**Criteria:**

SAM Section 8032.5 requires state agencies to notify the STO, Cash Management Division, Financial Services Section, of all deposits being made into CTS accounts when deposits for any one account are in excess of \$100,000 in any one day. When exact amounts cannot be

determined, the Commission employee should transmit a reasonable estimate on the day the funds are actually deposited into the State's Demand Accounts.

Recommendation: Notify the STO, Cash Management Division, Financial Services Section, of all deposits being made into CTS accounts when deposits for any one account are in excess of \$100,000 in any one day.

**FINDING 7                      Improper Procedures for the Collection and Deposit of Currency**

Condition: Procedures for the collection of currency are not adequate to safeguard state assets from misappropriation. The auditors noted the following deficiencies:

- When currency is accepted by the cashier, receipts are given. However, receipts are not press numbered, and copies of the receipts are not kept by the agency.
- When the receptionist delivers the cash envelope to the cashier, the cashier does not count the cash in the presence of another employee.
- Deposits that include cash are being picked up by a bank courier. Coin and currency is not being placed in deposit bags and sealed in the presence of two agency employees nor are the employees signing an agency copy of the deposit slip indicating they have verified the coin and currency amount in the deposit.

Criteria: SAM Section 8020 states that state agencies will prepare receipts for all collections of coin or currency received in person from payers.

SAM Section 8020 also requires state agencies to save a numeric file of copies of receipts and voided receipts for audit purposes.

SAM Section 8032.4 stipulates that bank messengers are restricted from picking up any deposit that includes coin and/or currency.

SAM Section 8032.4 also states that currency and coin (unrolled) will be placed in the deposit bag and sealed in the presence of two agency employees who will sign an agency copy of the deposit slip indicating they have verified the coin and currency amount in the deposit. The armored car carrier or agency employee is required to sign a receipt indicating the receipt of the sealed deposit bag to be delivered.

Recommendations: Use press numbered receipts whenever coin or currency is taken over the counter or any other time customer receipts are given. The receipt should indicate the type of payment (such as cash or check).

Immediately lock up coin and currency when it is received.

Count cash at the end of the day to determine that the total agrees with the total of receipts. This count should be made by an employee who did not take in any cash, and in the presence of another employee.

Place the currency and coin in the deposit bag and seal it in the presence of two Commission employees who will sign an agency copy of the deposit slip indicating they have verified the coin and currency amount in the deposit. A Commission employee should deliver the deposit to the bank. The Commission employee should sign a receipt indicating the receipt of the sealed bag to be delivered.

## **Fixed Assets**

The combination of accurate accounting records and strong internal controls must be in place to protect against and detect the unauthorized use of state property. We determined that the overall internal controls over property are insufficient to ensure proper safeguarding and reporting of the Commission's fixed assets. We identified significant weaknesses relating to the inventory of property.

### **FINDING 8                      Lack of a Physical Inventory Count**

Condition:                      The Commission has not conducted a physical inventory count in five years. Also, the Commission does not have records of the last physical inventory count.

Criteria:                        SAM Section 8652 states that Departments will make a physical count of all property and reconcile the count with accounting records at least once every three years.

Recommendation:          Perform a complete physical inventory count every three years.

### **FINDING 9                      Lack of Complete Equipment Listing**

Condition:                      The Commission does not maintain a complete listing of all state property.

Criteria:                        SAM Section 8650 states that the property information for each item of property constitutes the property register (i.e., an inventory listing) of all departmental property.

Recommendation:          Maintain a complete listing of all the Commission's property.

### **FINDING 10                    Inadequate Tagging of Property**

Condition:                      Until mid January 2005, the Commission only tagged state property that was classified as major equipment. At the time of this review, the Commission was in the process of conducting a physical inventory and is tagging all properties. As of April 7, 2005, many items still remained untagged.

Criteria: SAM Section 8651 states that all state property will be tagged after acquisition. This includes property which does not meet the state's capitalization requirements.

Recommendation: Complete the process of tagging all state property in the possession of the Commission. Tag all new property.

**FINDING 11 Lack of Property Survey Reports and Proper Authorizations**

Condition: The Commission does not prepare property survey reports when equipment is disposed of, properly authorize the property survey reports, nor obtain the Department of General Services (DGS) approval prior to disposing of property. Also, property survey reports did not meet the minimum requirement of two signatures from the property survey board.

Criteria: SAM Section 8640 states, "GC Sections 14673, 14674, and 14675 authorize the Director of General Services to approve the sale, exchange, or transfer between departments of personal property owned by the state if the sale, exchange, or transfer is in the best interest of the state. Before disposing of property, e.g. sale, transfer, trade-in, etc., departments must receive approval from Property Reutilization, Department of General Services. Departments will prepare Property Survey Reports, STD. 152, when disposal of property occurs."

Recommendation: Implement procedures to comply with SAM Section 8640.

**Budgets**

Effective internal controls over the budget cycle, including established policies and procedures, are necessary to ensure that the Commission's budget is properly approved and recorded, and used only for authorized purposes. We noted the following weakness in the budget cycle:

**FINDING 12 Budget Process Lacks Written Approvals**

Condition: Although the levels of authority to sign budget documents are adequate for the Budget Officer, the Commission does not maintain a list of staff authorized to approve budget documents. A list of authorized personnel provides assurance that budget documents are properly approved for content and completeness. During the course of our review, the list of authorizations was updated and provided to us on March 28, 2005.

Criteria: SAM Section 20050 requires each system an entity maintains to regulate and guide operations to be documented. Furthermore, GC 13403 states the elements of a satisfactory system of internal accounting and administrative controls shall include a system of authorization and record keeping procedures adequate to provide effective accounting control over assets, liabilities, revenues and expenditures.

Recommendation: Develop and document a list of staff authorized to approve budget documents.



## **Personnel and Payroll**

Effective internal control over the personnel and payroll functions is necessary to ensure that the Commission's staff are properly appointed, staff are not separated with outstanding advances or in possession of the Commission's assets, and payroll information is processed accurately and timely. We noted the following weakness in the Commission's personnel and payroll controls.

### **FINDING 13                      Key Person Dependency**

Condition:                      The Human Resource unit has key person dependency. There is no back up for the one staff person who performs most of the essential daily functions in the Human Resources unit. Her duties include maintaining attendance reports; keying attendance information into the SCO payroll system; doing dock cut off; maintaining sick, vacation leave, and overtime accumulation records; and signing off on appointment and separation documents. Good business practice dictates adequate back up for key staff personnel in their absence.

Criteria:                      GC Section 13403 states the elements of a satisfactory system of internal accounting and administrative controls shall include, but are not limited to: An established system of practices to be followed in performance of duties and functions in each of the state agencies.

Recommendation:              Implement procedures to cross-train staff in the Human Resource unit.

## **Contracts**

Adequate internal control over contracting ensures that the Commission's procurement is effective and complies with state laws and regulations. With the exception noted below, we found the Commission's internal controls over contracting to be adequate.

### **FINDING 14                      Progress Payment Withholdings Not Always Made**

Condition:                      The Commission does not always withhold 10 percent from progress payments. This limits the Commission's ability to use the withholding as assurance that the contract is completed satisfactorily.

Criteria:                      State Contracts Manual Section 7.33 Item B states that not less than ten percent of the contract amount shall be withheld pending final completion of the contract.

Recommendation:              Withhold 10 percent from each progress payment pending final completion of the contract.

## **Information Security**

Effective information security controls are necessary to ensure compliance with the state's security and data integrity policies. We observed the following weaknesses:

**FINDING 15                      Teacher Credentialing Service Improvement Plan (TCSIP) System Access Control Risk**

Condition:                      As of April 7, 2005, the last updated access list for TCSIP users was dated 10/26/04. The list of current users for TCSIP was not updated for the Stage III implementation of TCSIP on 2/28/05. This creates the risk that former employees have unauthorized access to the TCSIP system.

Criteria:                        SAM Section 4841.2 states that each agency must provide for the integrity and security of its automated files and databases by ensuring that each automated file or data base is defined with respect to users of the information.

Recommendation:            Delete system access capability as part of the employee exit clearance process. Update the list of authorized users after each deletion, addition, or change. Monitor security status on an ongoing basis.

**FINDING 16                      Information Security Officer (ISO) Position Not Properly Structured**

Condition:                      The ISO does not report directly to the agency director and is not of a sufficiently high-level classification that the ISO can execute the responsibilities of the office in an effective and independent manner. Furthermore, the ISO has not received formal training.

Criteria:                        SAM Section 4841.1 states that the Information Security Officer (ISO) is required to oversee agency compliance with policies and procedures regarding the security of information assets. The ISO must be responsible to the agency director for this purpose and be of a sufficiently high-level classification that he or she can execute the responsibilities of the office in an independent manner.

Recommendation:            Staff the ISO function to be in compliance with SAM Section 4841.1.

**FINDING 17                      Operational Recovery Plan Not Updated**

Condition:                      The Operational Recovery Plan was re-certified in January 2005, stating there has been no change since 2003. Milestones for the new Teacher Credentialing Service Improvement Plan were completed between July 2003 and January 2005. Therefore, the Operational Recovery Plan should have been updated between July 2003 and January 2005. Lack of a current Operational Recovery Plan may prevent the agency from recovering critical applications and resuming operations following a disaster.

Criteria:                        SAM Section 4845 states, "Each agency must file an informational copy of the Operational Recovery Plan by the date outlined in the Operational Recovery Plan with the Department of Finance by the due date outlined in the Operational Recovery Plan Quarterly Reporting Schedule (SIMM Section 05). If the agency employs the services of a state data center, it must also provide the data center with a copy of its plan."

"If there are no changes to the agency's Operational Recovery Plan currently on file..., the agency director or the director's designee may submit an Operational Recovery Plan Certification (SIMM Section 70) in lieu of the ORP. An agency can only submit an Operational Recovery Plan Certification if the agency has a current ORP from the previous year on file with Finance."

Recommendation: Update the Operational Recovery Plan.

**FINDING 18      Data Classifications For The TCSIP Have Not Been Formalized In Writing**

Condition: Data classification documents are not available for TCSIP. Agencies are required to classify data elements as confidential or sensitive information. Data classifications, identified and known agency wide, serve to protect data from unauthorized use or disclosure whether intentional or unintentional.

Criteria: SAM Section 4841.2 states that each agency must provide for the integrity and security of its automated files and databases by ensuring that each automated file or database is identified as to its information class (SAM Section 4831.3) in accordance with law and administrative policy.

SAM Section 4841.3 states, "The state's automated file and databases are an essential public resource that must be given appropriate protection from loss, inappropriate disclosure, and unauthorized modifications. Two classes of information require extra precautions: (a) confidential information; (b). sensitive information."

"Subject to executive management review, the agency unit that is the designated owner of a file or data base is responsible for making the determination as to whether that file or data base should be classified as confidential or sensitive and for defining any special security precautions that must be followed to control access to and ensure the integrity of the information."

Recommendation: Formally classify the confidential and sensitive data elements to protect data from unauthorized access (accidental or intentional), modification, destruction, or disclosure.

## CONCLUSION

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Our review of the Commission's internal control presents opportunities for the Commission's management to correct identified weaknesses and improve its operations. We believe internal control would be strengthened and the Commission would operate more effectively if the Commission implements our recommendations. The reportable conditions, if left uncorrected, increase the risk that material errors or irregularities could occur and remain undetected, and the other material weaknesses, if left uncorrected, could adversely affect the Commission's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

The findings in this report are based on fieldwork performed between January 24, 2005 and April 7, 2005. We presented these findings to the related divisions and units at the completion of each cycle.

## COMMISSION'S RESPONSE

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**COMMISSION ON TEACHER CREDENTIALING**

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August 9, 2005

Mr. Samuel E. Hull, Chief  
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Sacramento, CA 95814

Dear Mr. Hull:

I would like to take this opportunity to thank you and your staff for taking time to complete the Internal Controls Audit in accordance with the Financial Integrity and State Manager's Accountability Act of 1983, for the Commission on Teacher Credentialing (Commission). Overall, I am pleased with the results because it is my understanding that many of the findings are technical in nature and common in audits of other state agencies. In fact, as you indicated in the report, the Commission has already initiated policies and procedures to correct many of the findings identified in the report, and will continue to do so. Please be assured that the Commission is fully committed to being in compliance with the State Administrative Manual, and will continue to monitor policies and procedures to ensure full compliance.

If you need additional information or have any questions, please feel free to contact Crista Hill or me at (916) 322-3459 or (916) 322-6253, respectively.

Sincerely,

Original signed by Sam W. Swofford

Dr. Sam W. Swofford  
Executive Director

SWS/ch

Attachment

cc: Crista Hill, Division Director, Fiscal and Business Services Section